



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
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MCO 7510.3E
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11 AUG 1998

MARINE CORPS ORDER 7510.3E

From: Commandant of the Marine Corps

To: Distribution List

Subj: COMMAND ATTENTION, RESPONSE AND FOLLOWUP TO AUDIT REPORTS
OF THE GENERAL ACCOUNTING OFFICE (GAO), THE DEPARTMENT OF
DEFENSE INSPECTOR GENERAL (DODIG), THE NAVAL AUDIT SERVICE
(NAS), AND THE MARINE CORPS NONAPPROPRIATED FUND AUDIT
SERVICE (MCNAFAS)

Ref: (a) SECNAVINST 7510.7E
(b) SECNAVINST 5740.25C
(c) SECNAVINST 5740.26A
(d) SECNAVINST 5200.34D

1. Purpose. To amplify Department of Navy (DON) procedures set forth in reference (a) ("Department of the Navy Internal Audit"), reference (b) ("Relations with the Office of the Assistant Inspector General for Auditing, Department of Defense"), reference (c) ("Relations With Legislative Branch Audit and Investigative Agencies"), and reference (d) ("Management of Audit Decision and Followup Function").

2. Cancellation. MCO 7510.3D.

3. Background

a. Although the term "audit" is often associated with the process of examining accounting records and related documents, the activities of audit agencies are not restricted to accounting matters. The scope of these audits is much broader and may extend into any aspect of an agency's operations which involves resources.

b. The GAO, DODIG, and NAS have been established by statute to review Government management actions and publish audit reports consisting of findings, recommendations, and management responses. Authority for audit of Marine Corps Nonappropriated Fund Instrumentalities is delegated to the CMC by the Secretary of the Navy and the Auditor General of the Navy. The MCNAFAS, under the operational and technical direction of the Director, Fiscal Division (CMC (RF))

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carries out the Marine Corps nonappropriated fund audit function and issues reports on those audits.

c. Prior to the start of any audit, an audit announcement letter is issued by the audit agency. The audit announcement letter includes the objectives of the planned work and an audit assignment number. When auditors contact Marine Corps personnel, they should be asked if they have properly announced their work with an audit announcement letter sent to the Audit and Review Branch (CMC (RFR)). The auditors should provide a copy of the audit announcement to any command included in the audit.

d. All audit agencies have the responsibility for advising commanders of proposed visits relating to specific assignments. In unusual circumstances the notice of visit will be made by telephone; however, written confirmation will be provided. The notification should show auditor clearances and estimated time of arrival and departure. It should be noted that although it is the policy of the Marine Corps to cooperate with and assist auditors, commanders do not have to provide them preferential treatment by disrupting operations or schedules, or honoring unannounced visits. "Surprise" visits by auditors are not appropriate. If there are any questions or problems encountered, please contact CMC (RFR)

e. An opening conference will be held by the auditors prior to the start of each audit. Normally this conference will be at the DoD, DON, or HQMC level, but it is sometimes held at the local command level. Commanders may, if they desire, request an inbrief from auditors coming aboard their commands.

f. Audit representatives will sometimes hold an exit conference at the conclusion of their work at an installation or activity. At this conference, the auditors' findings may be presented verbally or in writing. Differences of opinion or interpretation can be identified and an effort made to resolve remaining misunderstandings and or/disagreements on facts. If an exit conference is not held, it is often a good idea for commanders to request an outbrief from the audit team.

g. The reports issued by all of these audit agencies usually require comment and action by the audited commands and/or the CMC. The references establish DON policy and procedures which stress the importance of such audits and the requirement for constructive and timely action by commanders in responding to, implementing, and following up on audit findings and recommendations.

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h. Audits performed by the Defense Contract Audit Agency (DCAA) are not covered in this order.

i. No Federal entity, external or internal to the Marine Corps, other than those listed in the subject line above or DCAA is authorized to perform audits within the Marine Corps.

4. Action

a. Commanders of Marine Corps field activities will ensure that the policy and procedures set forth in the references and this order are implemented. Specific actions include:

(1) A liaison official (audit focal point) will be designated for each command. It is suggested that commands designate this focal point from within their Resource Evaluation and Analysis staff, or other Comptroller office, if possible. Liaison is important during all phases of audit. An official file for each audit will be established by the focal point for maintaining records of contacts with the auditors and any pertinent audit correspondence and documents. Work space and basic administrative assistance will be provided to the auditors on a nonreimbursable basis.

(2) Written drafts of audit findings and recommendations provided by the auditors should be reviewed promptly. If the findings, including any claimed monetary benefits, are correct and the recommendations can reasonably be implemented by the command, the auditors should be advised in writing that the findings and recommendations are correct and furnished a target date when corrective actions will be taken. If this target date is more than a year in the future, interim milestones will be given. Responses should be provided to the auditors within the established deadlines.

(3) Responses should clearly state and explain an activity's position on all elements of each finding on the facts, conclusions, recommendations and, if applicable, potential monetary benefits. If an activity agrees with the facts and conclusions but believes it has a better way of correcting the problem than the way recommended by the auditors, the alternative action should be clearly explained in the response statement.

(4) Dollar amounts discussed in the report as a savings or a cost avoidance should be specifically concurred in or not concurred in. The alleged savings or cost avoidance amount must be confirmed or refuted (if applicable, an alternative cost estimate should be provided). If monetary benefits are concurred in, action should be taken

to reflect the monetary benefits in subsequent appropriated and nonappropriated fund budget submissions, as applicable.

(5) If issue is taken with a finding and/or recommendation, or if a finding is correct but it is determined that the implementation of a subsequent recommendation would not be feasible or appropriate, then a written statement of nonconcurrence should be provided to the auditors.

(6) Inaccuracies or unsound conclusions should be refuted on the basis of fact or logic. Argumentative or emotional language and tone, and opinions not supported by fact or logic should be avoided in replying to auditors.

(7) The implementation of (concurrent) in recommendations is the responsibility of command, and commanders will establish formalized followup procedures, per reference (d), to monitor implementation until all necessary actions are complete. Onsite verification of selected audit actions is required as soon as practicable, and it is suggested that commands use their command Resource Evaluation and Analysis staffs for this function. For any closed recommendation with monetary benefits exceeding \$50,000, a positive statement of completed onsite verification must be provided to the CMC (RFR).

(8) Requests from the CMC (RFR) for followup implementation reports on specific recommendations will be responded to by the specified due date. If implementation has been completed on schedule, the actual date of implementation will be reported along with a final report/estimate of monetary benefits gained, and, if in excess of \$50,000 (\$250,000 at the HQMC level) a statement should be provided confirming that onsite verification of the closed recommendation has been performed. If implementation has been delayed, a new estimated completion date should be provided, along with a detailed explanation of the slippage. If a request for followup information is received from any source external to the Marine Corps, the CMC (RFR) will be promptly notified.

(9) If, after the publication of the final audit report, a command decides to change its previously recorded position on a recommendation, notification of such action, citing the title and number of the audit, should be reported promptly to the CMC (RFR) and shall include justification or rationale for the change. This information will be subsequently passed to the appropriate audit agency.

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(10) Proposed audit topics are welcomed, and may be submitted through CMC (RFR) to the Assistant Deputy Chief of Staff/Director, Fiscal Division.

b. The Assistant Deputy Chief of Staff (Programs & Resources)/Director, Fiscal Division, (CMC (RF)) is the central Marine Corps focal point on matters pertaining to audits discussed in this Order, and is charged with the responsibility for coordinating Marine Corps-wide compliance with reference (a) and for establishing internal Marine Corps policies and procedures concerning audit matters (less DCAA audits). This function includes:

(1) Speaking for and representing CMC in dealings with external audit agencies to include presenting the Marine Corps position in disputes with auditors.

(2) Mediating conflicts between local commands and/or HQMC functional managers. Referring selected controversies to the Assistant Commandant of the Marine Corps for decision.

(3) Coordinating and providing final CMC responses to audit agencies.

(4) Preparing for submission to the Under Secretary of the Navy for resolution, any issue which cannot be resolved between the Marine Corps and audit organizations.

(5) Maintaining the official automated audit followup database for the Marine Corps.

(6) Providing all official Marine Corps followup data and information to the Auditor General of the Navy, the Assistant Secretary of the Navy (Financial Management and Comptroller), and the Department of the Navy Inspector General. This includes all information required from the Marine Corps for the Semiannual IG Act Report to Congress.

(7) Acting as audit focal point for HQMC.

(8) Representing the Marine Corps on the Department of the Navy Audit Planning Group.

c. HQMC staff offices are responsible for timely responses and implementation of accepted audit recommendations addressed to the CMC within their functional areas of cognizance. Each staff principal will appoint an audit coordinator who will work with the CMC (RFR)

5. Access to Information. Except as noted herein and in references (b) and (c), auditors have access to all management information which pertains to the area being audited. However, "fishing trips" to obtain "background information" are not allowed. Auditors often conduct "research" of an area to determine if it may be advisable to conduct an audit of that area in the future. "Research" is allowed provided that the audit agency has issued an official letter, similar to an audit announcement letter. Auditors may be allowed access to automated information, but only if it pertains to an announced audit and if authorized by the cognizant manager of the information. Blanket access to Marine Corps databases will not be allowed. There are specific release restrictions pertaining to Joint Chiefs of Staff (JCS) data, Presidential Budget data, POM data, FYDP data, and inspection reports. If requests are made for any of these, immediately contact the CMC (RFR). Classified documents will be released to auditors in accordance with normal procedures for releasing classified documents to external agencies.

6. Reserve Applicability. This order is applicable to the Marine Corps Reserve.



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